



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-2706  
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE  
ACTING AUDITOR-CONTROLLER

April 2, 2008

TO: Supervisor Yvonne B. Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*  
Acting Auditor-Controller

SUBJECT: **CONSTITUTIONAL RIGHTS FOUNDATION – A DEPARTMENT OF  
PUBLIC SOCIAL SERVICES COMMUNITY SERVICES BLOCK GRANT  
PROGRAM PROVIDER**

We have completed a program, fiscal and administrative contract compliance review of Constitutional Rights Foundation (CRF or Agency), a Department of Public Social Services (DPSS) Community Services Block Grant (CSBG) Program provider.

**Background**

DPSS contracts with CRF, a private non-profit organization to provide and operate the CSBG Program. The CSBG Program promotes the principles of self-help and assists low-income families and individuals to become self-sufficient. CRF provides youth support and education services to participants including leadership training and developmental and interactive sessions for high school age youths designed to increase their communication, cooperative-learning and critical-thinking skills. CRF is located in the Second District.

CRF is compensated on a cost reimbursement basis and had a contract for \$43,898 for Calendar Year (CY) 2007.

**Purpose/Methodology**

The purpose of the review was to determine whether CRF complied with its contract terms and appropriately accounted for and spent CSBG funds in providing the services

*"To Enrich Lives Through Effective and Caring Service"*

outlined in their County contract. We also evaluated the adequacy of CRF's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of CRF staff.

### **Results of Review**

All eight participants sampled met the eligibility requirements for the CSBG Program. However, none of the eight participant case files sampled contained progress notes, sign-in sheets, risk assessment documentation or documentation that the participants achieved the outcomes as a result of the services received. In addition, CRF did not always comply with CSBG guidelines. Specifically, CRF:

- Overbilled DPSS \$522 on their final close-out invoice for CY 2006.
- Billed DPSS \$1,800 for expenditures that were inadequately supported or unallowable.
- Did not obtain criminal record clearances for employees assigned to the CSBG Program.
- Billed payroll expenditures based on estimated hours not actual hours worked.

Details of our review along with recommendations for corrective action are attached.

### **Review of Report**

We discussed our report with CRF on January 22, 2008. In their attached response, CRF management generally agreed with our findings and recommendations. We notified DPSS of the results of our review.

We thank CRF for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer  
Philip L. Browning, Director, Department of Public Social Services  
Todd Clark, Executive Director, Constitutional Rights Foundation  
Public Information Office  
Audit Committee

**COMMUNITY SERVICES BLOCK GRANT PROGRAM  
CONSTITUTIONAL RIGHTS FOUNDATION  
CALENDAR YEAR 2007**

**ELIGIBILITY**

**Objective**

Determine whether Constitutional Rights Foundation (CRF or Agency) provided services to individuals that meet the eligibility requirements of the Community Services Block Grant (CSBG) Program.

**Verification**

We reviewed the case files for eight (28%) of the 29 program participants that received services during June and July 2007 for documentation to confirm their eligibility for CSBG services.

**Results**

The eight program participants sampled met the eligibility requirements for the CSBG Program.

**Recommendation**

**There are no recommendations for this section.**

**PROGRAM SERVICES**

**Objective**

Determine whether CRF provided the services in accordance with their County contract and CSBG guidelines.

**Verification**

We reviewed the documentation contained in the case files for eight participants that received services during June and July 2007.

**Results**

The eight participant case files reviewed did not contain progress notes, sign-in sheets, risk assessment documentation or documentation that the participants achieved the outcomes as a result of the services received.

**Recommendation**

1. CRF management ensure that participants' case files contain appropriate documentation to support the services billed to DPSS.

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's July 2007 bank reconciliation.

**Results**

CRF maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

**Recommendation**

**There are no recommendations for this section.**

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether non-payroll program expenditures are allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records and other documentation to support seven non-personnel expenditure transactions billed by the Agency during June and July 2007, totaling \$677.

**Results**

CRF's expenditures were allowable, accurately billed to DPSS and supported by documentation as required.

**Recommendation**

**There are no recommendations for this section.**

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether CRF's fixed assets and equipment purchased with CSBG funds are used for the CSBG Program and safeguarded.

We did not perform testwork in this section as CRF did not use CSBG funding to purchase fixed assets or equipment.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll is appropriately charged to the CSBG program. In addition, determine whether personnel files are maintained as required.

**Verification**

We reviewed payroll expenditures for two employees totaling \$3,313 during July 2007 to the Agency's payroll records and time reports. We also interviewed staff and reviewed the personnel files for the staff assigned to the program.

**Results**

CRF staff's timesheets do not document the actual time worked on the CSBG Program. CRF allocated direct payroll expenditures based on time estimates developed monthly by each employee and manager. The County contract requires the Agency to charge DPSS based on actual hours worked on the program. In addition, CRF did not obtain criminal record clearances for employees working on the CSBG High School Program. The County contract requires Agencies to adhere to all federal and State laws which requires criminal record clearances for individuals entrusted with the care of particularly vulnerable individuals.

**Recommendations**

**CRF management:**

- 2. Bill DPSS payroll expenditures based on actual hours worked by staff and not estimated hours.**

3. Obtain criminal record clearances for employees assigned to the CSBG High School Program.

### **COST ALLOCATION PLAN**

#### **Objective**

Determine whether CRF's Cost Allocation Plan was prepared in compliance with the Contract, and the Agency used the plan to appropriately allocate shared program expenditures.

#### **Verification**

We reviewed CRF's Cost Allocation Plan and reviewed a sample of expenditures incurred by CRF during July and August 2007 to ensure that the expenditures were allocated to the appropriate programs.

#### **Results**

CRF's Cost Allocation Plan was prepared in compliance with the County contract and shared costs were appropriately allocated.

#### **Recommendation**

There are no recommendations for this section.

### **CLOSE-OUT REVIEW**

#### **Objective**

Determine whether CRF's final close-out invoice for calendar year 2006 reconciled to CRF's financial accounting records.

#### **Verification**

We traced CRF's general ledger to the Agency's final close-out invoice. We also reviewed a sample of expenditures incurred in November and December 2006.

#### **Results**

CRF's close-out invoice did not reconcile to its accounting records. The close-out invoice reported \$522 more in consultant and travel costs than the Agency's general ledger. In addition, CRF overbilled DPSS \$1,800 in unsupported and unallowable expenditures. Specifically:

- The Agency did not maintain a written agreement or invoice to support \$1,050 in payments to individuals who were not employees at CRF for 2006. CRF management stated that the payments were made to local high school teachers as stipends for their CSBG services provided. The County contract requires CRF to maintain agreements, invoices, billing rates, attendance records and other documents to support consultant expenditures.
- CRF overbilled DPSS \$750 for supplies purchased within the last two months of the contract period without obtaining prior written approval from DPSS as required.

**Recommendations****CRF management:**

4. **Repay DPSS \$2,322 (\$522 + \$1,800).**
5. **Maintain adequate documentation to support the expenditures billed to the program.**
6. **Ensure supplies are not purchased during the last two months of the contract period without prior written approval from DPSS.**
7. **Ensure costs billed to DPSS do not exceed their approved budgeted amounts.**



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February 1, 2007

J. Tyler McCauley  
Los Angeles County Auditor-Controller  
500 W Temple, Room 525  
Los Angeles, CA 90012

Dear Mr. McCauley:

#### Contract Review Response

We have reviewed the report issued by your Department dated January 22, 2007 and wish to recommend the following corrections to the findings and recommendations as indicated below:

#### Response to Program Services

CRF has created a client log to document client progress. This information will be added to client case files to document assessment determinations.

#### Response to Payroll and Personnel

As with most small non-profits, many of CRF's staff work on multiple programs and some programs have multiple funding sources. CRF's management gives each staff member his or her assignments on a monthly basis. It is in the best interest of all programs for management to maintain as much consistency as possible as to who and how much time is assigned to which program. Contrary to the statement in the audit finding, CRF staff do sign and return their timesheets to the accounting department and are required to show the actual hours each individual worked and to what degree their time was spent on each program. By the very nature of CRF's programs, CRF professional staff work in numerous job sites and different locations all across the country each week making the idea of punching-in on a single, central time clock something between extremely difficult and absurd. Still, CRF will make a better effort to emphasize to all employees the critical importance that their timesheets be completed accurately. In response to criminal record checks, CRF will obtain criminal record clearances for employees working on the CSBG program.

601 South Kingsley Drive  
Los Angeles, CA 90005  
Telephone 213 467 8500  
Fax 213 385 0459  
e-mail: crf@crf-usa.org  
<http://www.crf-usa.org>





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#### Response to Recommendations #5-8

CRF's approved budget was based on dollar estimates of specific line item accounts CRF submitted numerous months in advance. During actual operation of the program variations are naturally expected to occur. Understanding this complication between advance estimates and actual expenses, the Federal government has issued OMB circulars that allow for a 10% deviation between line items. In total, the correct amount was invoiced if you allow CRF to follow the 10% deviation rule allowed by the Federal Government.

Overall, CRF wants to comply with the recommendations and will submit payment to CSBG as soon as an invoice is submitted to CRF.

Please give me a call if you have any questions at (213) 316-2131

Sincerely,

Stacey Salazar  
Senior Accountant/Controller  
CRF

901 South Kingsley Drive  
Los Angeles, CA 90005  
Telephone 213 407 5590  
Facsimile 2 3 586 0459  
e-mail: crf@crf-usa.org  
http://www.crf-usa.org